

Bermaz Auto (BAUTO MK)

3QFY26: Earnings Recovery Gains Momentum

Highlights

- 3QFY26 results came in above expectations due to higher-than-expected sales volume and improved margins.
- We anticipate sustained sales momentum in FY27, driven by robust demand for Mazda 3 and the upcoming launch of the new Mazda CX-5.
- Raise FY26-27 earnings forecasts by 13%/9% respectively. Maintain BUY with a higher target price of RM1.08, pegged to 11x FY27 EPS.

3QFY26 Results

Year to 30 Apr (RMm)	3QFY26	qoq%	yoy%	9MFY26	yoy%
Revenue	683.2	22.8	13.5	1,731.0	(17.4)
EBIT	70.2	99.4	99.9	134.2	(24.3)
Associates	(11.3)	70.7	(>400))	(27.3)	(>200)
PBT	59.6	109.8	71.0	106.9	(43.6)
Core net profit	32.6	89.8	35.2	58.1	(56.9)
Sales Volume (units)	4,262	39.1	19.6	9,963	(20.3)
- Malaysia	3,920	41.7	20.2	8,860	(20.7)
- Philippines	342	15.2	12.1	1,103	(16.9)
Margins		+/-ppt			+/-ppt
EBIT	10.3	3.9	4.4	7.8	(0.7)
Core Net Profit	4.8	1.7	0.8	3.4	(3.1)

Source: Bermaz Auto, UOB Kay Hian

Analysis

- Above expectations.** Bermaz Auto (Bermaz) registered a solid set of results for 3QFY26, with a core net profit of RM32.6m (+90% qoq, +35% yoy). This brings 9MFY26 core net profit to RM58.1m (-57% yoy), accounting for 75% of our and consensus full-year forecasts. We deem the results to be above expectations, driven by a significant improvement in margin, which we expect to sustain into 4QFY26 with full-year earnings highly likely to beat our previous forecast.
- Bermaz declared a third interim dividend of 1.75sen per share (9MFY26 dividend of 3.75sen per share).

Key Financials

Year to 30 Apr (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,911.0	2,622.3	2,207.7	2,320.6	2,402.4
EBITDA	473.3	249.0	198.0	185.9	203.5
Operating profit	446.5	222.0	173.4	159.4	174.1
Net profit (rep./act.)	356.0	163.4	84.6	114.5	128.4
Net profit (adj.)	356.0	163.4	84.6	114.5	128.4
EPS	30.6	14.0	7.3	9.8	11.0
PE (x)	2.8	6.2	11.9	8.8	7.8
P/B (x)	1.2	1.6	1.5	1.4	1.3
EV/EBITDA (x)	1.7	3.5	3.8	3.8	3.3
Dividend yield (%)	30.1	19.4	5.2	6.9	7.5
Net margin (%)	9.1	6.2	3.8	4.9	5.3
Net debt/(cash) to equity(%)	(37.1)	(32.4)	(50.2)	(52.9)	(56.3)
Interest cover (x)	n.a	98.8	339.3	-	-
ROE (%)	45.0	23.2	11.6	15.3	16.6
Consensus net profit	n.a	n.a	70	94	104
UOBKH/Consensus (x)	n.a	n.a	1.21	1.22	1.24

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM0.86
Target Price	RM1.08
Upside	+25.6%
Previous TP	RM1.00

Analyst(s)

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Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,172.2
Market cap (RMm):	1,008.1
Market cap (US\$m):	256.5
3-mth avg daily t'over (US\$m):	1.0

Price Performance (%)

52-week high/low				RM1.2/RM0.5
1mth	3mth	6mth	1yr	YTD
4.2	22.7	25.4	(14.4)	21.8

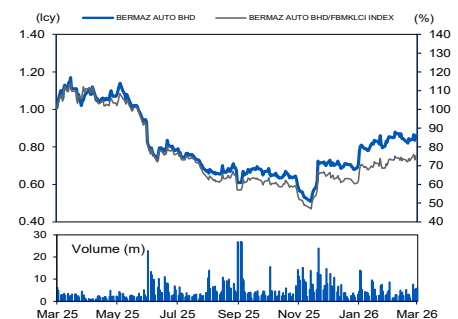
Major Shareholders

	%
Dynamic Milestone Sdn Bhd	16.53
Amanah Saham Nasional Berhad	7.61
Lembaga Tabung Haji	7.03

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	(0.3)

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group also involved in distribution of locally assembled Mazda vehicles in Malaysia and Philippines.

- **Higher sales volume across all brands.** Revenue increased to RM683.2m (+23% qoq, +14% yoy) in the quarter, driven by a higher sales volume of 4,262 units (+39% qoq). Mazda sales in Malaysia rose to 3,101 units (+36% qoq), mainly driven by Mazda 3 (1,357 units), and improved to 342 units (+15%) in the Philippines. Notably, Xpeng achieved a record-high quarterly sales of 473 units (+30% qoq), driven by pent-up demand ahead of the expiry of EV tax incentives. Sales were further boosted by inventory purchases by Kia Malaysia following the cessation of Kia's distributorship by Bermaz.
- **Improvement in margin.** Earnings were also supported by a significant improvement in operating margin (from 6.3% to 10.3%), which we believe was due to lower discounting and a more favourable sales mix, following rising contributions of new Mazda models and Xpeng vehicles.
- **Associates remained loss-making**, mainly dragged by Kia Malaysia, which recorded RM10.5m in losses. Kia's operations continued to be impacted by retroactive fees due to lower-than-anticipated production volume. Nonetheless, we expect losses from Kia Malaysia to be limited in the subsequent quarters as we believe Bermaz is likely to impair its investment costs in the associate.
- **Sales likely to moderate in 4QFY26...** We anticipate a slight decline in sales volume in the next quarter due to the Chinese New Year and Hari Raya festive season, normalised Xpeng sales and the absence of Kia's contribution. That said, earnings should remain resilient, underpinned by margin improvement from lower discounting and a positive impact from the weakening yen.
- **...but positive momentum should sustain in FY27.** We expect sales momentum to remain intact in FY27, supported by robust demand for Mazda 3, which forms the bulk of the group's backlog orders of 3,800 units (2QFY26: 3,500 units). The upcoming launch of the third-gen CX-5, with local assembly planned in FY28, is also expected to support volume growth over the next two years. Accordingly, we raise our FY27 sales volume assumptions to 14,200 units, reflecting a higher monthly run-rate of 1,200 units (from 1,100 units), supported by Mazda's refreshed line-ups. Our sales assumptions remain conservative relative to management's target of 15,800 units in FY27, suggesting potential upside to our earnings forecast.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM1.08 (previously RM1.00)**, pegged to 11x FY27F PE (+0.5SD to five-year mean). We believe the premium valuation is justified by its strengthening earnings momentum, improving margin profile, and clearer growth visibility over the next two years.
- Bermaz also offers a compelling yield of above 7%, based on our FY27F DPS of 6.5sen.

Earnings Revision/Risk

- **We raise our FY26/FY27 earnings forecasts by 13%/9% respectively**, as we increase our sales volume assumptions and expect continued improvement in margin, which was previously impacted by heavy discounting for Mazda's ageing CKD models.

Share Price Catalyst

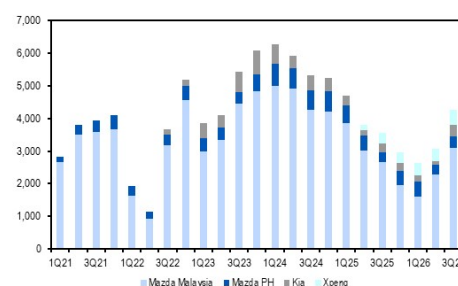
- Higher sales volume from Mazda and Xpeng from its refreshed line-up.
- Lush dividend payout.

Sales Volume Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2022	13,362	1,304
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026F (old)	11,700	1,600
2027F (old)	12,000	1,600
2028F (old)	12,500	1,600
2026F (new)	12,000	1,600
2027F (new)	12,600	1,600
2028F (new)	13,000	1,600

Source: Bermaz Auto, UOB Kay Hian

Sales Volume by Brands



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social And Governance (ESG) Updates

Environmental

- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.

Social

- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.

Governance

- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Source: Bermaz Auto, UOB Kay Hian

Profit & Loss

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Net turnover	2,622	2,208	2,321	2,402
EBITDA	249	198	186	203
Deprec. & amort.	27	25	27	29
EBIT	222	173	159	174
Associate contributions	12	(30)	3	8
Net interest income/(expense)	(3)	(1)	4	6
Pre-tax profit	231	143	166	187
Tax	(56)	(50)	(41)	(45)
Minorities	(12)	(8)	(11)	(14)
Net profit	163	85	115	128
Net profit (adj.)	163	85	115	128

Balance Sheet

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Fixed assets	126	122	115	106
Other LT assets	406	144	154	171
Cash/ST investment	434	446	468	493
Other current assets	722	681	716	741
Total assets	1,688	1,651	1,702	1,749
ST debt	226	100	80	50
Other current liabilities	361	393	409	418
LT debt	0	0	0	0
Other LT liabilities	369	370	370	371
Shareholders' equity	642	689	734	786
Minority interest	91	99	110	124
Total liabilities & equity	1,688	1,651	1,702	1,749

Cash Flow

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Operating	206	210	128	142
Pre-tax profit	231	143	166	187
Tax	(75)	(50)	(41)	(45)
Deprec. & amort.	27	26	28	30
Associates	(12)	30	(3)	(8)
Working capital changes	47	61	(19)	(17)
Other operating cashflows	(12)	1	(4)	(6)
Investing	70	(9)	(9)	(8)
Capex (growth)	(10)	(20)	(20)	(20)
Investments	0	1	1	2
Proceeds from sale of assets	0	0	0	0
Others	80	10	10	10
Financing	(223)	(189)	(96)	(110)
Dividend payments	(345)	(52)	(70)	(76)
Issue of shares	3	0	0	0
Loan repayment	163	(126)	(20)	(30)
Others/interest paid	(44)	(11)	(6)	(5)
Net cash inflow (outflow)	53	12	22	24
Beginning cash & cash equivalent	365	434	446	468
Changes due to forex impact	16	0	0	0
Ending cash & cash equivalent	434	446	468	493

Key Metrics

Year to 30 Apr (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.5	9.0	8.0	8.5
Pre-tax margin	8.8	6.5	7.2	7.8
Net margin	6.2	3.8	4.9	5.3
ROA	9.4	4.9	6.6	7.3
ROE	23.2	11.6	15.3	16.6
Growth				
Turnover	(33.0)	4.9	6.6	7.3
EBITDA	(47.4)	(15.8)	4.2	2.2
Pre-tax profit	(53.2)	(20.5)	-6.5	8.8
Net profit	(54.1)	(38.2)	16.4	12.8
Net profit (adj.)	(54.1)	(48.2)	35.7	12.1
EPS	(54.1)	(48.2)	35.7	12.1
Leverage				
Debt to total capital	30.8	12.8	9.7	5.7
Debt to equity	35.1	14.7	11.2	6.6
Net debt/(cash) to equity	(32.4)	(48.3)	(50.9)	(54.3)
Interest cover	98.8	257.9	0.0	0.0

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